Report on Senate Joint Memorial 1, "Health Care Services Common Interest Meeting"

Presentation to the Legislative Health and Human Services Committee

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Highlights for Today's Discussion

1. SJM1 Summary
2. SJM1 Report Process
3. Common Demographic Findings
4. Agencies' Cost Containment Measures to Date
5. Options for Consideration

Summary of SJM1 (2009 Regular Session, Sponsored by Senator Dede Feldman)

Summary of SJM1

Requests a meeting of entities engaged in the administration, delivery & payment of health care services to identify areas of common interest & opportunities for consolidation, & development of recommendations for implementing cooperative & collaborative efforts.

- Elements are similar among plans and programs that would benefit from a more consolidated and efficient approach to administration.
- Consider consolidation of public health care programs and plans and reform of the publicly funded programs' and plans' silos of administration, delivery systems & payment for health care services.

Public and Quasi-Public Agencies Listed in SJM1

- New Mexico Health Insurance Alliance (HIA)
- New Mexico Medical Insurance Pool (NMMIP)
- Human Services Department's (HSD) State Coverage Insurance Program (SCI), Premium Assistance for Kids Program (PAK), and Premium Assistance for Maternity Program (PAM)

Interagency Benefits Advisory Committee (IBAC) Agencies:

- General Services Department's Risk Management Division/Employee Benefits Bureau (GSD)
- New Mexico Retiree Health Care Authority (RHCA)
- Albuquerque Public Schools (APS)
- New Mexico Public Schools Insurance Authority (NMPSIA)
- And representatives from New Mexico Public Regulation Commission's Division of Insurance (DOI) and New Mexico Health Policy Commission (HPC)

Background Issues Related to SJM1

- No overarching structure currently exists to convene all of these public and quasi-public health care entities, collect common data, report out on common issues, or collaborate on cost savings or efficiencies.
- Agencies' policy decisions have an impact on the state's general fund revenue via either direct appropriations or assessments; or via indirect fiscal impacts such as public education appropriations, costs to personnel, or the impacts on statewide economic performance affecting taxes and spending behaviors.

SJM1 Report Process

SJM1Process

Human Services Department convened the health coverage entities & staffed a series of 12 meetings from May to October 2009 including:

- *Insure New Mexico!* Partners (SCI, PAK and PAM, NMMIP, HIA).
- IBAC Partners (GSD, NMRHCA, NMPSIA, APS).
- *Insure New Mexico!* Partners Strategic Policy Workgroup & Marketing Workgroup.
- Joint meeting of the *Insure New Mexico!* and IBAC Partners with all the commercial carriers that are vendors for the public health care programs in the State of New Mexico.
- Combined collaborative meetings of all the agencies along with HPC & DOI.
- Data was also collected on all the agencies' health care claims & administration costs; revenue & funding; and demographic data on clients' ages and location in New Mexico.

SJM1Process (continued)

- Report reflects the ideas, recommendations & issues for further consideration that ensued from this process in an effort to identify cost savings and areas for collaboration and consolidation.
- Staff of the Legislative Finance Council (LFC) and the Department of Administration and Finance (DFA) attended most meetings because collaboration & efficiencies to gain costs savings became especially critical due to the reduction in state revenue & the deepening economic difficulties.
- Without specific funding or sufficient time to study the possible recommendations in this report, options may need further analysis before consideration or adoption by the Legislature or the other parties.

SJM1 Demographic Findings

Agencies' Common Demographic Elements

- HIA, NMMIP, SCI, PAK/PAM, GSD, RHCA, NMPSIA & APS together provide comprehensive health coverage and varying wellness benefits for approximately 250,000 lives from a total state population of 1.9 million.
- In calendar year 2008, these 250,000 covered lives represented:
  - Almost $1 billion in claims costs;
  - Approximately $46 million in third party administration (TPA) or administrative services only (ASO) costs; and
  - Approximately $12 million in program operating expenses.
- Coverage is primarily funded by state funds and members' premiums, with federal revenue being the next largest revenue source, & less revenue provided indirectly by insurance carrier assessments, related tax credits & other related sources.

Agencies' Common Demographic Elements (continued)

- Agencies' covered members are spread all over New Mexico with approximately 80,000 of the 250,000 residing in Bernalillo County.
- Those members residing in Bernalillo County are covered by many different programs, not just the Albuquerque-specific program (APS).
- Slightly more women are covered than men (116,000 and 98,000 respectively).
- A wide age range is represented by these agencies' members with most covered lives falling between ages 36-54.

Agencies' Cost Containment & Efficiency Measures to Date

NM Health Insurance Alliance
Cost Containment Measures

- In an effort to increase their declining enrollment, HIA is changing their portfolio to offer newly designed plans with lower premium rates.
- HIA has converted to e-files and is no longer utilizing paper files.
- Check deposits are now filed electronically and HIA also offers electronic funds transfers (EFT) transactions. The HIA billing system now allows the agency to collect a fee for every non-sufficient funds check.
- Eliminating duplicate billing.

NM Medical Insurance Pool
Cost Containment Measures

- Continuing case management, disease management, negotiated network discounts, retrospective and concurrent drug utilization review, and utilization reviews by procedure codes for inpatient, outpatient, and physician.
- Performance guarantees for the TPA have been instituted to enhance administrative efficiencies, claims management and customer service.
- The agency's pharmacy benefit structure is designed to encourage use of generic and less expensive drugs and has resulted in significant savings.
- Subject to approval by the Superintendent of Insurance, the NMMIP board of directors is recommending for the first time since 2005, an increase in premiums of eight percent, setting rates at 125% of the standard risk rate, effective January 2010.

State Coverage Insurance, PAK & PAM Cost Containment Measures

- Implementing premium cost-sharing for individuals enrolled in SCI below 100% FPL, and discontinuing state payment of the premium for individuals at or below 100% FPL;
- Increasing the enrollment fees for PAM;
- Removing the existing co-pay cap on prescriptions covered under SCI, and instituting different co-pays for generic and brand name drugs;
- Changing the state share of the premium amount for PAK; and
- Instituting a waiting list for individual enrollment in SCI beginning November 2, 2009.

Albuquerque Public Schools
Cost Containment Measures

- Using $3.5 million in reserve insurance funds.
- Increasing by 5% the cost of insurance for employees.
- Increasing copays.
- Decreasing percentage covered by employer for higher salaried employees.
- Enhancing wellness benefit program.
- Implementing prescription drug mail order pilot program.

General Services Department/Employee Benefits Cost Containment Measures

- Using $19 million of reserves in the group benefit fund to assist in payment of medical, pharmacy, dental and vision claims and thus not have all costs shifted to members.
- Moderate increases to health plan deductibles, copays, coinsurance and prescription copays.
- Administrative services only (ASO) pricing leveraged by purchasing with the IBAC.
- Implementing performance guarantees for medical plans.
- Enhancing wellness benefits.
- Conducting a bid for a data claims analysis tool to allow all claims data to be placed on one analysis platform for complete comparisons of plans and plan designs.

NM Public School Insurance Authority Cost Containment Measures

- Reduced plan benefits effective July 1, 2009, by implementing a $2,800 out-of-pocket limit on the co-pays, co-insurance, and deductible paid by the member.
- Requiring the member to pay 70% of the cost of non-formulary prescriptions.
- As of June 30, 2009, NMPSIA's unaudited fund balance was negative $7.4 million. If NMPSIA were to retain the FY10 reduced benefits and received no appropriation for the increased premiums, the authority reports that the projected fund deficit on June 30, 2011 would be approximately $30 million requiring premiums to double and overall jeopardizing the program's viability.

NM Retiree Health Care Authority
Cost Containment Measures

- Brought down the subsidy level for the richer plans in line with other offerings.
- Adopted rules to ensure that premium increases kept pace with spending increases. Reduce the number of pre-Medicare PPO options from three to two in order to minimize adverse plan selection and stabilize rate increases over a period of time.
- Initiate a new procurement process (RFP) for all of its Medicare plans which resulted in modest cost sharing for the Medicare supplement and provided additional options to increase Medicare Advantage membership.
- Reduced co-payments for generics while raising co-payments for brand name drugs to provide equitable reimbursement levels (and also generate approximately $2 million in savings).

SJM1 Options to Consider for Implementing Cooperative & Collaborative Efforts for Consolidations & Cost Savings

Options to Consider Cost Savings

- Commercial carriers indicate statewide public risk pool aggregation with Albuquerque metro area public plans could lead to cost savings. Albuquerque market cost savings are a factor of administrative savings and value-based program enhancements, and with inclusion of pools outside of Albuquerque, Albuquerque public plans could adjust costs in multiple areas to limit the impact on Albuquerque market premiums while benefiting non-Albuquerque public plans. Given a lack of consensus on this issue, an actuarial study is recommended to determine if the above thesis is correct and could be accomplished without causing an additional increase in premiums specifically for APS plan members.
- Third party administration (TPA) and administrative services only (ASO) costs could be reduced by administering similar benefit plans and larger risk pools.
- Although there is not consensus, administrative savings could possibly be leveraged with health plans and within public and quasi-public agencies.

Options to Consider Cost Savings (continued)

- Conduct joint outreach and marketing.
- Cost savings may be possible using similar plan design among agencies. Consider uniformity and commonality in plans and benefits across all public and quasi-public agencies.
- Although there is not consensus, consolidating customer service at public and quasi-public insurance entities could potentially reduce costs (MCOs have already done this to some extent for their public plan offerings).
- Consolidating pharmaceutical formularies and pharmacy benefits management for all public and quasi-public entities should be explored, but may have minimal cost savings if these costs are already pooled with larger commercial groups.
- Consider implementation of a fixed payment methodology for rural hospitals' outpatient services (i.e., similar to Medicare).
- Could possibly reduce costs for laboratory services by limiting hospital lab services and increasing reference labs.

Options to Consider
Cost Savings (continued)

- Savings may be found in consumer-driven reduced benefit plans.
- Consider using one actuary for all public and quasi-public plans consulting.
- Restrict coverage options such that if two state employees have GSD coverage, require that higher paid employee must take up coverage.
- Consider limiting out-of-state coverage.
- Reduce benefit plan and design, and increase copays, deductibles and office visit charges, or reduce dependent coverage options.
- Consider decreased use of third party administration (TPA) and administrative services only (ASO) agreements.
- Implement a common reinsurance program or other approaches to insuring outlier clients. In 2004, APS had reinsurance but it was too expensive, but consideration could be given to revisiting a pooled approach among public and quasi-public health coverage agencies with NMMIP maybe serving as state reinsurer manager.
- Consider implementing medical homes and accountable care organizations.
- Consider implementing pay for performance.

Options to Consider Enhanced Coverage

- Although there is not consensus, possibly consider consolidation of public and quasi-public insurance entities, and cover those individuals not protected by the Health Insurance Portability and Accountability Act (HIPAA).
- Focus coverage on chronically uninsured in NM (i.e., people at 200-400% FPL).
- Continue to explore offering more plan options at the NM Medical Insurance Pool.
- Ask Division of Insurance to approve SCI benefit plan so the plan can be part of the Health Insurance Alliance offerings.

Options to Consider
Modify Current Pooling Arrangements & Risk Management

- Consider consolidation of risk pools (e.g., Georgia consolidated schools and municipalities' pools) moving towards "mega-pools."
- Consider placement of those under age 65 and over 65 in common pools.
- Consider implementing risk stratification aimed at getting the right care to the right patients by treating people according to their available risk information (i.e., grouping patients by severity of illness is a practice known as risk stratification).
- Consider joint carrier/vendor contracting wherein the state could become its own MCO and bear risk itself.

Options to Consider Plan and Benefit Design

- Encourage wellness and prevention (although this may not save money in the short term).
- Institute similar plan design including common wellness plans, as multiple plan design may contribute to increased risk and adverse selection.
- Consider uniformity and commonality in plans and benefits across all public and quasi-public agencies.
- Design value-based benefits that lower barriers for individuals with chronic diseases (i.e., no charge for insulin for diabetics).

Options to Consider
Plan and Benefit Design (continued)

- Incentivize lifestyle changes and motivate wellness with financial incentives.
- Conduct biometric screening to encourage a healthy workforce and determine who needs disease management although this could result in short-term cost increases.
- Consider inclusion of health savings account-type options.
- Consider limiting out-of-state coverage. Could consider enhanced regulation and coordination of this benefit including stricter utilization review.
- Offer buffet selection of state benefits (e.g., optional maternity benefits) or exempt agencies from benefits mandates.

Options to Consider Pharmaceutical

- Consolidation of pharmaceutical formularies and pharmacy benefits management for all public and quasi-public entities may provide some benefits unless current purchasing of pharmaceuticals is already achieving cost efficiencies through volume purchasing with larger commercial groups. For those entities in which pharmaceuticals are part of larger health plans or contracts that also manage commercial or national groups, a consideration of "carving out" pharmacy purchasing and management would need to begin by determining whether there would truly be a cost savings or actually a cost and administrative increase. This approach would have to include significant protections to assure adequate information flow for care management purposes.

Options to Consider Pharmaceutical (continued)

- Introduce plan changes shifting more out of pocket costs to members and encouraging the use of formulary prescription drugs by increasing copay for non-formulary drugs (i.e, similar to NMPSIA).
- Increase use of clinical pharmacists as health care extenders.
- Quality, centralized data needed by care managers working on consolidation of pharmaceutical services.
- Do not carve out pharmaceutical from Medicaid unless using an administrative services organization with good data availability.
- Increase utilization review.
- Clinical pharmacists patient data would need to be reported back to patients' doctors; clinical pharmacists pay would need to be enhanced accordingly; and care coordination would need to be enhanced.

Options to Consider
Data

- Designate an entity to regularly gather and compile common data reporting from the public and quasi-public health coverage entities as it has proven difficult to compile data for purposes of this report since there were no common definitions, reporting periods or data compilation in existence for these agencies.
- Determine a common data reporting year (e.g., state fiscal year) and a common plan year. Currently, the agencies utilize differing plan years varying from members' anniversary dates, state fiscal years, federal fiscal years and calendar years. This variance in plan years is an obstacle to collecting and maintaining "apples-to-apples" data.
- Increase data compilation and analysis for use in designing optimal health plans.
- Consider implementation of an all payers claims database.

Options to Consider Data (continued)

- Consider institution of a health information exchange.
- Pool disease management data.
- Pool pharmaceutical data.
- Consider creation of a NM Consolidated Data Warehouse to enable more in depth analyses and compare NM data to other states and nationally.
- Add IBAC and all public entities to GSD's current RFP for a data warehouse.
- Increase internet use of reporting on public and quasi-public agencies' costs and solvency as well as costs of MCOs, PPOs, etc.
- Ask DOI to require uniform reporting from all HMOs, PPOs, etc

Options to Consider Administration

- Consider expanding the authority of the Health Care Purchasing Act and require joint procurement and purchasing by the IBAC agencies.
- Implement a common enrollment process that is electronic to enhance speed and efficiency and utilize joint referral processes and procedures.
- Implement joint broker certification for HIA, NMMIP and SCI programs with CEUs awarded by DOI.
- Determine a common data reporting year (e.g., state fiscal year) and a common plan year.
- Create common websites amongst all agencies that link to each other.
- Conduct joint outreach and marketing.
- Implement common actuarial and other contracts.

Options to Consider Administration (continued)

- Although there is not consensus, possibly consider implementing common purchasing of other goods/services by requiring quasi-public health coverage agencies to purchase goods/services off of state's reduced price purchasing lists.
- Decrease third party administration if administering similar health plans and larger risk pools.
- Establish a healthcare exchange or connector to assist New Mexicans in one-stop shopping for insurance coverage.
- Although there is not consensus, possibly consider consolidating customer service, information and referral for public and quasi-public insurance entities. (MCOs have already done this to some extent for their public plan offerings.)

Options to Consider Administration (continued)

- Although there is not consensus, consideration could possibly be given to conducting a cost analysis of options for consolidation of infrastructure, assessments, and claims management. Possible options might include:
  - Combine IBAC agencies into a single administering entity (GSD/RMD or a single board, commission or state department);
  - Combine NMPSIA with APS into a single public schools insurance authority, covering just health care issues;
  - Combine NMPSIA and GSD/RMD for health insurance and other risk management products;
  - Require public colleges and universities to participate in publicly administered plans (i.e., one or more of the IBAC agencies);
  - Combine agencies into HIA operating as an insurance exchange;
  - Expand HIA to offer different benefit plan options, and expand to include a self-employed individual as a group of one;
  - Combine agencies into *Insure New Mexico!* Solutions Center operating as an insurance exchange;
  - Combine HIA and NMMIP;
  - Combine HIA with HSD's *Insure New Mexico!* programs;
  - Combine all eight (8) entities/programs into a single existing administrative entity such as GSD, NMPSIA, or HSD, or create a new administering entity, commission or department (e.g., a NM Health Coverage Commission or NM Risk Management Department), determining whether such an entity covers just health care for all public entities.

SJM1 Next Steps

SJM1Next Steps

- It would likely take additional time, resources, and restructuring to gain agencies' consensus re consolidation and cost saving measures.
- The authority to act as one official group would probably need to required or mandated in some fashion.
- There was agreement by the group about the necessity to conduct an actuarial study to analyze the cost benefits that could possibly be achieved by consolidating all or different variations of agencies' enrollees dependent on age or other factors. Funding would need to be allocated to conduct such analyses.

SJM1Next Steps (continued)

- Consider amending the Health Care Purchasing Act to consolidate health plan purchasing of the IBAC agencies such that these agencies would have clear requirements to develop common health benefits for common populations and would be required to move towards purchasing together, not just procuring together, to save costs & increase portability.
- Although the Partners did not reach consensus regarding administrative consolidation, the Legislature may wish to give further consideration to consolidating administrative functions of the agencies.
- Fund further analyses to determine any savings that might be realized by combining risk pools for all public or quasi-public groups or variations thereof.